EP.106 - Ken Malone FINAL

Narrator: You're listening to *BioTalk* with Rich Bendis, the only podcast focused on the BioHealth Capital Region. Each episode, we'll talk to leaders in the industry to break down the biggest topics happening today in BioHealth.

Rich Bendis: Hi, this is Rich Bendis, your host for *BioTalk*. And we have a special guest today, one of the first people I met whenever I got engaged in the Maryland ecosystem, and that was probably about 11 years ago or so. The individual we're going to have as our guest today is Dr. Ken Malone, who is the founder and executive officer for Early Charm Ventures and Mr. Baltimore. We're really looking forward to this because all things Baltimore Ken knows, but he goes deeper than just Baltimore. He has a lot of things nationally and internationally. So, Ken, welcome to *BioTalk*.

Ken Malone: Hey, Rich, it's fun to be with you again.

Rich Bendis: Yeah, it's been a while. But you're ever-present on LinkedIn and also in the ecosystem, so it's not like we aren't seeing each other.

0:01:02

Ken Malone: I learned from the master, Rich. You taught me well.

Rich Bendis: [laugh] It's only going to go downhill from here, I think.

Ken Malone: [laugh] Yeah.

Rich Bendis: But, you know, Ken, a lot of people know you. But there are a few people that might not know you that are listening, so I think one of the best ways for them to get to you know is you do a little self-introduction, and talk about your travels to get you to where you are today. I know about most of those. But there are some that I probably don't even know about as well, so I'll let you roll for a while.

Ken Malone: Life started for me in Pittsburgh where I used to occasionally go to this store owned by some guy named Bendis, who I think has some relation to you, Rich.

Rich Bendis: I think it might've been the Bendis Food Mart, which was probably less then five hundred square feet, and we lived above it.

Ken Malone: Yes, I remember that, and I think I bought some bubblegum there, so. [laugh]

Rich Bendis: [laugh]

Ken Malone: For a penny. Not to describe how old—

Rich Bendis: So, we're not going to tell all the people that we're still Steeler fans versus Raven fans, right?

0:02:00

Ken Malone: It is the only challenge I have living in Baltimore. Everything else about Baltimore is phenomenal except for they've got this football team that's just OK.

Rich Bendis: That's OK. We'll stop there.

Ken Malone: Yeah. [laugh] As I like to say, I'm a Ravens fan except twice a year ,Left Pittsburgh. Went to undergrad at the University of Miami. Degrees in biochemistry and chemistry. Decided to go to graduate school. Wanted something very applied. Went to the University of Southern Mississippi. Got my degree in polymer science, my PhD. Went there largely because it was heavily recruited by Dow and BASF and all of the heavy industry of the day. Had no intentions of ever going into academia. Left there. Went to work for a company called Georgia Gulf in Baton Rouge, Louisiana, and lived in Baton Rouge for a couple of years. Got recruited away by what is now the French oil company, Total. Their chemical group at the time was called Elf Aquitaine.

0:02:56 And I moved from Baton Rouge to Buffalo in the middle of winter, and got off the plane, and I absolutely did not ask for a big enough raise [laugh]—

Rich Bendis: [laugh]

Ken Malone: —to go from one to the another. But it was fun. They put me on a plane almost every day. I traveled all around the world basically doing technical sales and development for organic peroxides, and spent many months in China and India, this sort of thing. I ended up doing a tour of almost a dozen years working for that company. Got transferred to Philadelphia, and ended up with a lot of mutual friends there, Rich, of yours and mine.

And while in Philadelphia, I ended up doing a lot of business management, a lot of mergers and acquisitions. One day, I'm sitting in this really beautiful corner office at 2000 Market Street, and my phone rings, and it's my dissertation advisor from the University of Southern Mississippi. And he told me—didn't ask me, by the way, because he's a dissertation advisor, so there was no asking.

0:03:56 He told me that I was going to leave my job, and come help him run the University of Southern Mississippi because he was now president of Southern Miss., and I had to come out there. So, I told him no, but he didn't listen, and I eventually caved, and so I was the Chief Operating Officer at the University of Southern Mississippi. I also ran economic development at the university, both the academic department of economic and workforce development as well as doing economic development. And that's, I think, actually the first time we met, Rich, is some connections between Mississippi, and I think you had done some studies down in Mississippi, and we crossed paths oftentimes in economic development. And I'm going to continue to give plugs for you as we go through this, Rich, whether you like it or not. But Rich is the father of tech-based economic development in the United States, and so everybody that we talked about economic development there got a taste of what Rich Bendis has developed and learned.

0:04:56 And, you know, we're so grateful in Maryland to have the benefit of all that experience.

Rich Bendis: Some people would agree with you but there may be others, Ken, that may not agree with that statement.

Ken Malone: You know, it would be the first time in my life, Rich, that people didn't agree with me.

Rich Bendis: I'm sure.

Ken Malone: And, so, let's just let that happen, right. [laugh]

Rich Bendis: OK.

Ken Malone: [laugh] So, while I was there, we got very heavily involved in doing a lot of startup activity, and spinning a lot of things out of the university. My wife, Kelli Booth, who is also my business partner, she needed a job while

	she was there. And she was a chemical engineer, and she didn't want to work for the university. But she told them that she was more than happy to create an outsourced tech transfer office for them, which she did, and she ended up potentially designing the business model that is now Early Charm while we were in Mississippi. Developed this whole studio model, which I'm sure you and I will get into later in this discussion. And one day, they fired the president of the University of Southern Mississippi, my dissertation advisor, because, well, it's a university, and that's what they do.
0:06:01	Kelli and I looked at each other and said, well, where do we want to go? We love this venture studio model that she had developed. We looked all around the country, and we could literally live anywhere we wanted to. We were doing very well, and Baltimore was by far the best choice for us. And some people say why? And we say, well, you clearly have not been here. But the two big reasons, one is lifestyle. We love urban life, and so being able to walk the kids to school and walk to work in the morning, all of that, it's a great city for that. But, also, you know, the Baltimore region has the highest concentration of basic research anywhere in the world, and that's what we do. We go into universities, we take that intellectual property, and turn it into businesses, and we're like kids in candy shops here, right. There's just so much opportunity. Just I wish I could do it all, because, you know, there's so much. But, anyway, so, that's my ramble. That's who I am.
Rich Bendis:	Not a bad ramble, and we got to see at least the eastern half of the United States through your travels, Ken.
0:07:03	And then when you talk about liking urban life, I'm sure it's the same as the urban life you had down in Southern Mississippi, right?
Ken Malone:	[laugh] Yes.
Rich Bendis:	[laugh]
Ken Malone:	Yeah, except for the Walmart. But, other than that, it's pretty much the same. [laugh]
Rich Bendis:	[laugh] So, what I want to dig into now as you talk about venture studio, that was a term—and how long ago was it you came to Baltimore? How many years now?

Ken Malone: So, we've been here about 10 years.

Rich Bendis: Ten years, OK. So, that's like 2012. "Venture studios" was a term that wasn't heavily used, probably because a lot of people didn't know how to operate them, and didn't have the skill sets necessary. So, when you chose Baltimore because of all of the assets that were there from a research standpoint, you wanted to change the model a little bit of the venture studio, and that's how you called Early Charm Ventures. So, first of all, why Early Charm name, OK? And then when you started the business, you and Kelli, I guess, your wife, started it together, and what roles did each of you perform when you started up?

0:08:05

Ken Malone: So, there's this really long story about why Baltimore's called the Charm City, and maybe we'll save that for a different podcast sometime. But there's where the "charm" comes from, from Early Charm. And obviously "early" is because we start companies very, very early. We love it when it's just an idea in a professor's head. Kelli and I have a very great partnership in terms of what we love to do and what we hate to do, and it's a perfect balance between the two. A little quick history on Kelli and I. We first met when we were both working at this big French oil company, and I was doing M&A, and I sold the business unit that she was running; sort of like 40 million or something like that. So, it was a smaller business unit. You know, usually when you sell a business unit, you assume that the person running it's going to go with that. She comes and knocks on my door. I barely knew her at the time.

0:08:57 Comes knocks on my door about two days afterward and says, "Hey, Ken, you missed $400,000 of working capital. Do you want me to take it with me, or do you want to keep it?" I'm like, "Well, we're about to buy this other business, so we're going to keep it, and you're going to go run that other business, right?" That is a perfect description of how she and I work together every day. I do the bigger strategy and the concepts and putting them together. She loves to keep the wheels on the bus, right. She is really happy making sure that the books balance; making sure that we make payroll; making sure that we got all the day-to-day operations. She loves to interact with people in the office. But don't ask her to do a podcast like this, right. She doesn't want to be the person that's out there and the face. So, I get to pretend like this was my idea, and I get to go out in the community and talk about Early Charm as if it was me. But, honestly, the entire business model is hers, and all I've done is just kind of take it and say, "Hey, this is what we're going to do with it."

Rich Bendis: That's cool. You're CBO and she's COO, right?

Ken Malone: Yeah, that's probably about right.

Rich Bendis: Yeah, OK.

0:09:59 And, so, there's no CEOs because it sounds like you're both equal there.

Ken Malone: Yeah, we both go by executive officer. It's just our general title, right, just to avoid that.

Rich Bendis: OK. I saw that in your title, and when I see founder and executive officer, it's not chief executive officer, right? You're one of two executive officers.

Ken Malone: Correct.

Rich Bendis: Yeah, cool. OK. So, you land in Baltimore. You start evaluating assets, and how do we—what do we start with, with our Early Charm Venture studio? So, what did you identify first as the first thing you wanted to get engaged with when you came?

Ken Malone: Phil Robilotto at University of Maryland Baltimore's tech transfer office came to me and said, "Hey, Ken, I've got two companies that are a little bit rudderless right now, and they could use some help." And I looked at one of them and said, "Yeah, that's not for us." But I looked at the other one, and it was doing computational drug design, basically modeling proteins, and throwing them up on a computer screen like we would a CAD for a mechanical device or a house.

0:11:04 And I thought that was really very much up our alley because we love to start companies that aren't going to need big buckets of money to get to market. And we saw this company as something that a hundred thousand or even a couple of hundred thousand dollars was more than enough to get us to product and get us commercially ready. It turned out we didn't even need that. I actually got the first sale before we had finished the licensing. So, that was the first company that we started. It's called SilcsBio, and it's still one of our most profitable companies in our portfolio today.

Rich Bendis: That's interesting. I know the name because we talked about it many years ago when you did that. Did a company exist when with SilcsBio, or it was just a license to create a company; that you imported that license in with the UMB technology?

Ken Malone: So, of the 31 companies in our portfolio, there are three that existed prior to us.

0:12:02 All the rest we started ourselves. SilcsBio is one that technically existed—at least on paper. And they had had several false starts with different CEOs, and so they just basically restructured. So, we restructured the company entirely. It's sort of a cross between having been founded and created.

Rich Bendis: Ten years ago, I was stopping in at Starbucks one day, and you and I had a Starbucks, I think, didn't we?

Ken Malone: We did, I'm pretty sure.

Rich Bendis: Yeah, yeah, I think that's sort of what the first meeting was. And then it was, "Hey, I like what you're doing. How can we take advantage of your skill sets and what we need to do with BioHealth Innovation?" which was brand new at that same time.

Ken Malone: It was really great timing. When we first started Early Charm, of course, we have a very bootstrap model, right. We're not keen on raising big buckets of money. We think that business is about making a product, and selling a product, and that's usually a bootstrap model. And, so, when we moved here, Kelli was full-time with Early Charm, and there wasn't enough work for me on day one.

0:13:03 It was really great to run into you, to hear your vision of BHI, and to be a part of it during the early days, and really trying to help figure out, you know, how do we make BHI into something that has a really big impact? And it was perfect with my economic development background and knowledge. And I got to tell you that for me, the one really great benefit I got out of it is networking. It's one where the more people you know, and the more you understand, and the more you help other people, the better your network is. And the more you do that, the easier your life and job is, right? And, so, you enabled that with BHI, and you still do that with

BHI, cross networking for people all the time. And it's a critically important element to the entrepreneurial ecosystem.

Rich Bendis: Well, thank you. But, also, one of the things you helped us or enabled us to do is, really, I brought a model that I had created back from Kansas of having a non-profit and a for-profit subsidiary, which was somewhat foreign to a number of places where both you and I have been.

0:14:09 And, so, we created BioHealth Innovation Management because our intention, right from the beginning with BHI, was to try to own equity in early-stage companies because as a non-profit 501(c)(3) corporation, you need to find ways to sustain yourself in the future. And one of the ways you do that is potentially get early-stage equity positions in promising companies. And if they are successful, that money comes into the for-profit, and flows back to the non-profit. So, this is something that I think I had less trouble in explaining to you on how that worked.

Ken Malone: [laugh]

Rich Bendis: And, also, we needed someone to run that business. So, I sort of tried to run the non-profit side, and we need someone to manage that portfolio because we were just starting our ERI program too. So, in a way, you were sort of running BHI management, the for-profit subsidiary of BHI, but at the same time performing some of the functions that an ERI would've had.

0:15:03 So, it was like a dual role with BHI, and it was a very interesting way to get that engagement going between us.

Ken Malone: It was a lot of fun too because we really were creating something that either didn't exist or it didn't exist in enough places at enough scale that people really understood what we were talking about. So, we had a lot of people who misunderstood what we were trying to accomplish with that. So, a big part of that putting it together was explaining to people who were like, "Well, you're a non-profit. Why do you have this for-profit?" and understanding how all those pieces fit together, and managing it effectively was important. But we assembled one heck of a nice portfolio. And I haven't looked under the covers lately to see how it's doing, but I imagine it's doing pretty well.

Rich Bendis: It is. We basically had five exits with two more pending right now. And, you know, you have 31 companies in your portfolio, and I think we peaked—and we're not done yet—but, I mean, we peaked at 32. We've had five exits, and we keep trying to add more on a judicious basis.

0:16:03 So, the difference we have today is that we had one EIR at that time—well, actually two. We started with Todd Chappell. Then we went to two, which you know both well. And now we have 12. A lot of them are focused at the National Institute of Health, not as much doing sort of the entrepreneurial stuff, but I think that the role you played was extremely important as we were forming that portfolio of companies and that early equity because we didn't have a model. We had to build the whole model for the for-profit subsidiary, and I think that's—we had to not only educate the community, we had to educate my board of directors because most of them were accustomed to traditional non-profits. And when we talked about doing for-profit stuff in a non-profit shell, it was a little confusing to them. So, you helped me explain that to them.

Ken Malone: You and I did our best, let's put it that way.

Rich Bendis: Yeah. [laugh]

Ken Malone: I think it was a—you know, it's still a great idea. It's still a great opportunity for the state, and it continues to be a big driver of growth.

0:17:01

Rich Bendis: Another thing that we pioneered on, Ken, was that when all of the Y Combinators and the Techstars were doing all of their accelerators, we didn't have a single accelerator in the whole Maryland or D.C. region at that time. So, we decided how do we create one, who do we form partnerships with, and who's going to run it? And, so, that was another adventure we had, and rather than a venture, it was an adventure—

Ken Malone: [laugh]

Rich Bendis: —because we didn't really have any accelerator management firms located within our region. And since both you and I had been in Philly, one of the emerging accelerator firms was Dreamit Ventures. And, so, we recruited them to come down, and start our Dreamit Baltimore accelerator programs. You might want to talk about that a little bit.

Ken Malone: I'll talk about it in several different capacities. Number one is a phenomenal program that we ran in the early days. The first cohort was really capturing this pent-up demand that was in Baltimore.

0:18:00 There were so many companies and ideas that did it really well. And I got to tell you, some of my closest friends in Baltimore today are the entrepreneurs that went through that program. So, the ability to mentor them and be a part of their growth since then—now they mentor me because they've been so successful—it's really phenomenal. I think that, you know, by the second cohort, we really had to go outside Baltimore because you kind of get that initial easy low-hanging fruit, and brought it in from outside. And then we started bringing some companies from outside that stayed and stuck. Sisu Global Health being one of them that went from really just basically concept all the way to having a fully commercial product, you know. They're selling it now in Kenya. This is a device that filters blood, and allows doctors to recycle the patient's blood, and not have to rely on a blood supply. We've done some really good things in terms of the impact in Baltimore from those few cycles of Dreamit Health.

0:19:00 And you don't have to do it every single year for the rest of your life. You've done it a few times, and what happens is the memory is there. The other entrepreneurs that went through that, they all coach each other now. And every time there's a new health tech company that pops up in Baltimore, they have this instant network of all of the companies that went through Dreamit, and they're still here. So, that impact isn't an impact that should be measured by how did the eight companies that came out of the first cohort of Dreamit do in terms of raising money? You have to look at the impact that they've had on every single health tech company that's come through Baltimore, and that's a lot of companies.

Rich Bendis: Yeah, I think that Dreamit's sort of living right now through Early Charm Ventures because if you look at models, I think that we both got experience from it, and I think that the accelerator model got a little overused in the United States, and everybody had a different version. And I think the thing that I learned through it most is that three months is not enough time to work with a company.

0:20:00 You really have to have a long-term relationship because in three months, you basically—they basically get to figure out what they should be doing. They need to pivot most of the time, and then they really need another year after that. So, I think that you might have a little different philosophy, and I'd like to hear that now about Early Charm, and sort of what is the business model for Early Charm?

Ken Malone: A couple of things to think about is that the core belief that we have at Early Charm is that the majority of scientific discoveries that occur at universities have economic value. They have the ability to be converted into commercial products that have value for humans and, in most cases, can make money. It doesn't mean that most have the opportunity to be billion-dollar opportunities. Most have very small markets: maybe a niche million-dollar market; maybe a niche 10-million dollar market, whatever is it, right?

0:20:56 But we also believe that most of the discoveries that are made at universities sit on the shelf because people believe that there's a valley of death, and the only way to cross it is with venture capital. Our core philosophy is that there is no such thing as the valley of death, and venture capital's a distraction. Venture capital's not a distraction if you have a therapeutic or you have an app that has to make to Uber; it has to be everyone all at once. But it's a distraction if you have a business that can be bootstrapped one step at a time, and it doesn't have to raise big buckets of money. And that that's where the overwhelming majority of new technologies are at universities. That's what our focus is. So, when we go into a university, and we identify a technology, and we're licensing it, we're looking at it, saying, "For less than $2 million, we believe that we can get this to market." Most of the time, it's less than a half million dollars. So, we're not looking to hit home runs, to use the baseball term, right?

0:22:00 We're really happy with base hits, and we're OK with taking walks. So, once we bring in a company, we're actually the creators of the company. We're the owners of it. The faculty member usually has a minority stake. The university has a minority stake from the license agreement. Maybe a grad student or a postdoc has taken a small percentage of the company to come work with us. But, largely, we are the company, which also means we are the management team, and we're the operators of it. So, we're 65 people that we share across our portfolio of companies. We have four different portfolio areas. One of them is advanced materials.

One of the areas is drug design. Another is technologies for aquaculture. And the final area is engineered products; think machine vision, things like that. In each of those areas, we have a core science and engineering team that gets shared across the portfolio of any company that's in that area.

0:22:59 Remember, a lot of these companies are starting with just bootstrapping; a couple hundred thousand dollars. We're able to bring a whole team of expertise to that company right out of the gate, right? Then, cutting across our entire portfolio is our business management. So, we have a sales manager. He doesn't care what he's selling. He can sell an aquaculture product the same way he sells material, right? It's all the same to him. Our back office, our grants management, our technology scouting, HR, legal—we have in-house counsel full-time—all of those things are shared across the entire portfolio. The individual portfolio companies have no employees. A hundred percent of the employees work for Early Charm Ventures, and we secund them where they're needed. So, the key to our business model is two things. One is having that whole large team that we can share between the portfolio companies keeps our costs low.

0:23:56 The second piece—and it doesn't put us in a position where we ever have to worry about a company running out of money. We never panic because panic is the enemy of any entrepreneur. The second piece is that we look for a lot of synergy between the companies that we have in each of those portfolios. So, when we add something new, we're not starting from scratch. We're starting with an already good knowledge of the market. I hear all this talk about customer discovery. Customer discovery for us is calling the three people that are already our customers, and asking them what do they think of this product before we bolt it on, right? Our costs are—we think our costs are about a fifth of what a typical spin out of a university is to bring a product to market, and that's our secret sauce.

Rich Bendis: It's challenging for an entrepreneur to raise capital for one company, and if you have 31 companies in your portfolio that all need fed, how do you address that? And, also, I know that you're a believer in non-dilutive funding, and what—how does that fit into your equation?

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Ken Malone: A huge part of our formula of what we choose to license is a belief that we can get to an SBIR or a TEDCO MII or a DOD BAA or any sort of non-dilutive or semi-non-dilutive initial funding. That's how we get everything started. The second part of it is, yeah, there's a lot of companies in that portfolio. But many of them are because we don't spend 10 years getting to revenue. We spent 10 months getting to revenue. We feed our companies with non-dilutive money to get us out the gate, and then get us the revenue fast. Now, that works about half the time, getting to revenue. The other half of the time, we end up with strategic partnerships. Maybe we find Big Company X that will finance us to continue to develop the product. But we very, very rarely go the venture capital route because we're not setting up companies for that type of flip and exit. We're focused on really kind of building that core piece up.

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Rich Bendis: And I would imagine over the last 10 years, we've all had companies that have gotten to a point where we said, "Hey, this ain't going to work. There isn't a pivot available to change it." So, how do you decide when it's time to kill an idea or license that you have; that it's not going to go anywhere?

Ken Malone: I would say it's reasonably common, let's say, maybe 30% of the time that we go back to a university that we've done a license with, or the federal government, and say, "This license is no longer useful to us, right? We just hit a dead end. What do you want to do? Do you want to bankrupt the company or do you want to put—whatever you want to do, right?" We work it out, right? We have never actually officially shuttered a company at Early Charm, and the reason for that is twofold. Number one is that there's marketing value in being able to explain to people how a model works. And when we do that, the synergy between the companies is really important.

0:27:01 So, when I tell the story about what we do in machine vision, you know, one of the companies is a zombie. But the technology behind that zombie is so interesting that it really draws people in. And then they understand the rest of our portfolio much better. And I'm the eternal optimist, Rich. I still believe that one day, something will happen that will enable that technology to actually be useful. And the beauty of our model is it costs me $300 a year to keep that company alive, right? I just file my Maryland taxes, and it's there. So, why would I roll it up and get rid of it if it only costs me 300 bucks a year to keep on the books?

Rich Bendis: Well, it's just one of those things you have to go to sleep with at night, and maybe have a nightmare versus a–

Ken Malone: [laugh]

Rich Bendis: —very nice dream about.

Ken Malone: I have no nightmares at all about Early Charm. It's bizarre because it's the first time in my life I've had a job where I don't, right, and it's—no offense to BHI, by the way.

0:28:00 I had a few nightmares at BHI, but they were mostly my own creation, right? In fact, as I think I told Chris Frew one day, I don't know why anybody would ever have kept me as an employee for more than six months because—

Rich Bendis: [laugh]

Ken Malone: —I am not an easy guy to have work for you, right? So, you're a bold man to have kept me round for as long as you did.

Rich Bendis: Well, that's why you were 1099, not an employee, Ken, because we had a little more—

Ken Malone: Good point.

Rich Bendis: —freedom, right? [laugh]

Ken Malone: Very good point, yes, yes. [laugh]

Rich Bendis: So, one last thing I want to talk about about Early Charm before you go into the ecosystem briefly is what percentage of your companies are really from the Baltimore or the Maryland area now in your portfolio versus those that you've got outside? And then also when you look at the talent equation, you need talent, you know, to run these companies. So, what percentage of your people have you been able to attract from the region versus people you've had to get outside the region?

Ken Malone: We're about 60% of our technology in our current portfolio that's licensed from the Greater Baltimore Area.

0:28:59 So, up to—you know, down to NRL, let's say that's kind of the circle, right. That's changing pretty rapidly because there are several universities across the US that have very, very attractive licensing opportunities, and it's just competitive pricing. For us, the technology is almost the same. We're looking at—say if we're bootstrapping it and so, you know, a technology from UC Boulder is the same as technology from Hopkins in terms of what we're looking at. And, so, if there's a pricing difference, we're taking the lower priced option. That said, talent-wise, we are probably about 70% have a clear tie to the Baltimore area. As we've grown, we haven't really had a problem continuing to fill it from Baltimore. What we have done is shift where we are hiring those people from in the Baltimore area.

0:29:59 So, we've increasingly hired from MICA because they have an incredible design group there. They actually do some really interesting materials work at MICA, and so we have people with good lab skills who also have design skills. But we hire from the University of Baltimore, again, because of the business skills that they get. So, we're diversifying where we're hiring from. I don't know if you saw the announcement. We just did a whole development deal with Coppin State in their new polymer program. So, we're hiring from there now for our labs as well as doing some joint research funded in joint development. So, getting diversity of the people—the way they think; the way they approach problems—is a really important element to our business model, right. Creativity and action are the two things that we have to have from people. And it's easy to find creativity. It's easy to find action. It's really hard to find creative action-oriented people, right. And that's—when we find those, that's gold.

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Rich Bendis: Well, I guess the key is Baltimore is still the central focus for the company, and probably always will be because you and Kelli are urban people, and it's a great urban environment to be in. So, let's talk a little bit. What's the last two years been like with COVID, having 31 babies and, you know, a virtual workforce to work on that?

Ken Malone: We've had it a lot easier than most because, as my PR guy says, "Stop saying it was a good year." But we definitely saw a lot of other people struggle a lot more than we did. A couple of key things. One is a lot of our sales come from producing tangible products, right, materials, advanced materials that we sell to customers all around the world. Those never shut down. So, manufacturing didn't get shut down in Maryland, and we're manufacturers, right. People largely think of us as a creative company that just dreams up stuff, you know, but doesn't actually make things. Most of our revenue is generated from tangible products. So, that said, we had operations going there.

0:31:59 We had quite a good deal of things we do in the drug design space. So, a lot of customers' demand for modeling proteins that were related to coronavirus, so we did very well in that space. We continue to expand, so we actually doubled in size during the last year. So, you know, we've really been benefiting from just the environment that is really demanding. And the biggest, funnest thing we did, Rich, was at the height of the pandemic. We have this thing called an electrospinner that we manufacture with that makes nanofibers, right, really thin. Those are really good for making filters for face masks. And, so, we were making 5,000 face masks a day in this little, bitty machine that, if you look at it, you'd be like, "How do you make 5,000 anything with that?" But our guys figured out how to run it 24/7, and we had four different shifts, and everybody that was doing the operations were graduate students from universities that weren't allowed to go in their labs and do work.

0:33:04 So, they needed something to do. They came and make face masks with us the whole time. So, it was great, and it engaged them, and it was a lot of fun.

Rich Bendis: The other thing I saw on LinkedIn, I think you might have created some special events in your warehouse space there where didn't you have some races on some office chairs or something?

Ken Malone: [laugh] Yeah, apparently, our chief marketing officer decided it was a really good idea to have a party every couple of months where we take our office chairs and race them.

Rich Bendis: [laugh]

Ken Malone: And so far, we haven't had an insurance problem with that. But—

Rich Bendis: [laugh]

Ken Malone: —[laugh] our safety guy has not yet stopped it, so I think we're going to continue doing it.

Rich Bendis: Cool.

Ken Malone: But it is really—and you know this, Rich. When you manage really creative people, you have to make work fun every day. That's kind of core to our culture, and people love working here.

0:33:59 They keep telling me they actually like working with me too. I'm not really sure why.

Rich Bendis: [laugh]

Ken Malone: Honestly, I think they're nuts. I love having creative people around me all the time, and it's just—it's thrilling for me to come into work every day, and just hear their ideas and watch them do things. I'm preaching to the choir. You very much understand what that's like, you know?

Rich Bendis: You're the Early Charm Culture king, so that's really nice to have though. It's good to have that reputation.

Ken Malone: Well, as my buddy Jeff Cherry loves to say, right, "Ken, you got to be the chief vision officer, not the chief executive officer. Just keep the vision going," which is great because that means I don't actually have to do anything. All I have to do is talk, Rich.

Rich Bendis: [laugh]

Ken Malone: Yeah, so, it's perfect for me.

Rich Bendis: Your vision will only be as good as far as your shadow will reach to the people you can touch.

Ken Malone: I agree.

Rich Bendis: So, we're working with Dr. Ken Malone, better known as Ken, who's the founder and executive officer for Early Charm Ventures, and I want to wind up this podcast talking a little bit about the ecosystem because we both have been here almost about the same kind of time, over 10 years now.

0:35:01 And talk a little bit about what you came to in Baltimore, and what you experienced in the beginning days with the entrepreneurial support ecosystem versus what's been transformed in the last 10 years in Baltimore or the BioHealth Capital Region.

Ken Malone: I struggle to define the right way to describe it because the growth in the entrepreneurial community is so staggering that it's hard to explain without putting a bunch of numbers down, and who knows where the heck those numbers came from, right? What I can tell you is that living in the system, right, when I first visited Baltimore, I could smell that it was working, right? It's like I got this feeling. Everywhere I walked around, and everybody I me that had any touch to entrepreneurship, there was a buzz around. But there wasn't a lot of activity. It was just you could feel that it was going to explode.

0:36:00 It's exploded in every way and shape. If you look at some of the really big metrics, just look at the numbers Hopkins puts out, right. So, you look at the numbers of venture capital things that they've done, it'd be hundreds and hundreds of billions of dollars. I don't know, maybe it's billions of dollars. Whatever the number is, I don't know, right. I don't pay attention much to that part of the business. But I could tell you that the building I'm in right now, 400,000 square feet of what used to be old rundown warehouse space is now 80% filled with product innovation companies, people that do stuff like what we do. We make tangible products that are radically different than anything that's ever been on the market. That ranges from Galen Robotics to Harbor Designs. The guys doing cut and sew, which cut and sew sounds boring, but not if you see what they're cut and sewing. You see bulletproof vests and you see smart garments coming out. So, there's really a dynamic from that.

0:36:56 We're sitting in this area that's so close to NSA that what's going on in the cybersecurity area is crazy, and it's the least publicized thing in the Baltimore area because nobody in cyber wants to talk about what they're doing. So, it's like everything flies under the radar but the sheer volume of it is really great. And then I would say that what we've really seen happen in the last, oh, I don't know, probably four years is an emphasis in Baltimore on equity in this entrepreneurship game. And that goes to places like innovation works that focus on social enterprises, to Jeff Cherry's operation and the Conscious Ventures Labs, to Social Innovation

Lab. There's a long list. And then to cap it all off, UpSurge gets launched last year, right. And, so, we have this environment here that is really bringing the fabric of Baltimore together in a really unique way.

0:38:01 It makes it just a really exciting place to live. And I got to tell you the biggest thing, Rich, that I see happening here is that so many other great cities that grew on entrepreneurship grew by creating a huge wealth divide. If you go to San Francisco, you see it very clearly, right? You see it in Boston. I see just the opposite happening in Baltimore, and that's a really thrilling new model for the US to see, and for people to experience. And, you know, it could still backfire. We could still end up creating a wealth divide, you know. We have to pay attention to it. But I honestly believe that we are on the cusp of proving that you can have rapid, equitable growth through entrepreneurship, and we're going to make it happen.

Rich Bendis: I think that what we've had is some transformational leadership changes over the last 10 years too. And the philosophies at the universities, rather than just looking at the easiest way out with a license, they're getting more into startups today.

0:39:00 And, you know, also finding partners that they can work with to create companies around the technology, rather than just sending that technology somewhere around the world where it's not going to have any major benefit to the region in which where that technology has been created. So, you know, as Christy Wyskiel and Jim Hughes and Phil Robilotto and Bob Storey and Ken Malone, and all of these other people now who have helped transform it because the people you mentioned over the last four years, nobody knew their names 10 years ago. They've all evolved, and so you're talking about some of this social equity entrepreneurism, which is really critical to the community, which is starting to evolve. And it starts with people who have the belief that there has to be equity in building an ecosystem. So, congratulations on being a part of that leadership team. And I'm going to close by just giving you a last word. You can have an open mic to say whatever you want here, Ken, because I know you're not shy on speaking about that.

0:39:55

Ken Malone: [laugh] I'm going to use the last minutes to reiterate, Rich, what BioHealth Innovation does, and what so many other organizations in Maryland do, to create the networks and the opportunities for entrepreneurs is absolutely essential. You can't do—I can't do what I do without what BHI does, without what TEDCO does, without what many organizations—I'm not even going to try to list them all because there's so many. And sometimes you hear, well, there's too many. It's exactly the opposite. There can never be too many. There can never be too much opportunity, right. When UpSurge formed, everybody was like, "Oh, there's another thing". Yes, it's great. The more of these we have, the more successful we're going to be, the better the economic prospects are for this state. And just frankly, I want to thank you because you were here at the very early, early stages of a lot of this happening in the state, and you've latched onto it, and been a big player in it. And, so, thank you for that, and let's make the next 10 years a lot better.

0:41:02

Rich Bendis: Well, you're going to have a better chance of that than I am, Ken, probably. [laugh]

Ken Malone: [laugh] You're not.

Rich Bendis: Well, yeah, yeah, yeah.

Ken Malone: So, I'm 100% certain of that.

Rich Bendis: I want to thank you for helping support BHI in the early days, and what you're doing right now to help continue to grow the ecosystem, so you're an integral part and a very important part to it. And probably we need to circle back and say, hey, now that you're established with Early Charm, and BHI's over here, where are the points of connectivity because there are probably things that we could do more together today than we could've 10 years ago, and as a follow-up from this?

Ken Malone: This part you have to cut. Rich, I know that's a pitch because you want me to donate to BHI. [laugh]

Rich Bendis: Yeah. [laugh] We won't—no, no, that's OK.

Ken Malone: [laugh]

Rich Bendis: We're not going—we don't have to cut that out, Ken. But if you're willing to, we can tell you where to send it.

Ken Malone: [laugh] I have no doubt.

Rich Bendis: Thank you for being on *BioTalk* today.

0:41:54 This is Dr. Ken Malone, founder, executive officer for Early Charm Ventures, and one of our growing entrepreneurial ecosystem partners within the BioHealth Capital Region of Baltimore. Ken, thank you very much.

Ken Malone: Thanks, Rich, have a great one.

Narrator: Thanks for listening to *BioTalk*, with Rich Bendis.

End of recording